

## **2011 City of San Jose - OE 3 Negotiations**

### **OE 3 Proposal - Pension Reform for New Hires**

In recognition of the significant macro economic impact to the Federated pension plan vesting from the Wall Street collapse and the mortgage market fraud, Operating Engineers Local 3 makes following proposals for changes in the retirement benefits for prospective Operating Engineers Local 3 represented employees.

Creating a new tier of benefits will lower Normal Cost and permit recent and continuing market gains to offset the rise in unfunded actuarial accrued liability resulting from the foregoing described macro economic losses. This proposal addresses the overarching goal of the City Council goal for pension reform and Normal Cost for new hires within a range equivalent with Social Security payroll deductions.

Operating Engineers Local 3 proposes the following retirement benefits for prospective employees only;

- Retirement benefit formula 2% at age 60.
- Final average salary based on highest 36 months.
- COLA based on CPI not to exceed 3%.
- Vesting at 10 years of service.
- Cost sharing split 40% for employees, 60% for the City.
- SRBR - "13th Check" - not available for new hires.

The total contribution of the City and Employee cost will be 12.4% Normal Cost, with 40% Employee (approximately 4.96%) AND 60% City responsibility (approximately 7.44%).

Once the Plan actuary confirms the cost, any difference between the actual cost (estimated 11.2%) and the 12.4% would go to pay any future liability of either the first tier or second tier of the Federated Retirement System.

This Pension Reform Proposal for New Hires is one component of Local 3's package proposal that will be taken in its entirety to the Local 3 membership addressing all outstanding issues.

Local 3 reserves the right to modify, edit or amend proposals during the course of negotiations

February 25, 2011